S & P Remarks on Growth Potential of Indian Economy

58. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware of the remarks of the International rating firm, Standard and Poor (S & P), that "Indian Government runs larger fiscal deficits and has accumulated more debt as a share of GDP, and is unlikely to attain very rapid growth rate over a prolonged period of time";

(b) if so, what is Government's reactions thereto; and

(c) what is the estimated GDP for the year 2005-06 and what is the rate of GDP during the last three quarters of 2004-05, i.e., from 1st April, 2004 to 31st December, 2004?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) and (b) On February 2, 2005, Standard and Poor's (S & P) upgraded India's long-term foreign currency rating with stable outlook, while affirming their long-term local currency, and short-term ratings. They have stated that India's economic prospects are stable and good. They have estimated a GDP growth of 6.5 per cent to 7.0 per cent in the medium term. They have also cautioned that principal risks are generated by a weak fiscal profile, particularly large combined fiscal deficit of the Central and State Governments, making it vulnerable to any secular decline in growth rates or increase in interest rates. Central Government is committed to achieving the fiscal corrections mandated under the Fiscal Responsibility and Budget Management Act, 2003. This together with the proposed introduction of State-level value added tax and linking of debt relief to the enactment of fiscal responsibility legislation by the States, would safeguard against such risks.

(c) The Central Statistical Organisation (CSO) has not estimated the GDP for 2005-06. GDP growth in the first and second quarter of 2004-05, data for which has been released by CSO, is 7.4 and 6.6 per cent respectively.